



IOWA GENERAL ASSEMBLY
LEGISLATIVE SERVICES AGENCY
 Timothy C. Faller, Interim DIRECTOR
 IOWA STATE CAPITOL
 DES MOINES, IA 50319
 515.281.3566
 Fax: 515.281.8027
Timothy.Faller@legis.state.ia.us

DIVISIONS

LEGAL SERVICES
 RICHARD L. JOHNSON

FISCAL SERVICES
 HOLLY M. LYONS

COMPUTER SERVICES
 GLEN P. DICKINSON

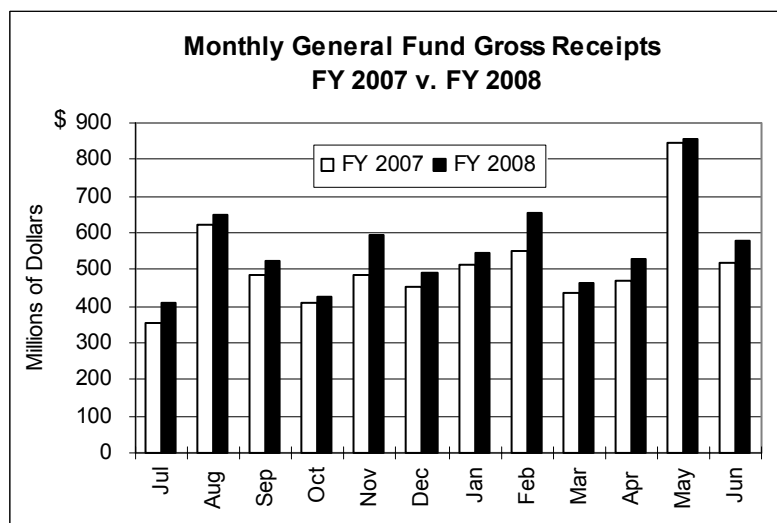
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Timothy C. Faller
 DATE: July 1, 2008

Monthly General Fund Receipts through June 30, 2008

The attached spreadsheet presents total FY 2008 General Fund gross receipts with comparable figures for actual FY 2007. The figures can be compared to the FY 2008 estimate of \$6.678 billion set by the Revenue Estimating Conference (REC) on April 4, 2008. The FY 2008 estimate is an increase of \$540.2 million (8.8%) compared to actual FY 2007 gross cash receipts (excludes refunds, transfers, and accrued revenue adjustments). Actual FY 2008 gross receipts exceeded the REC projection by \$39.9 million. The next REC meeting has not been scheduled.



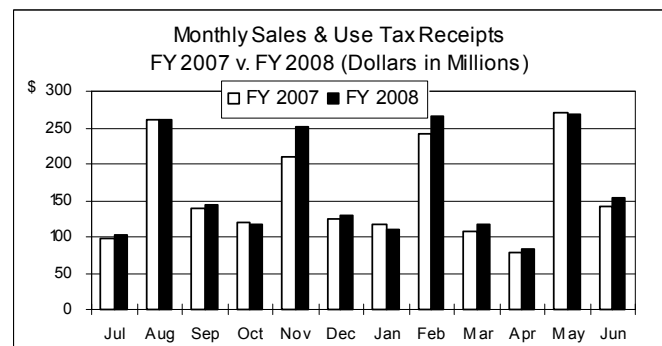
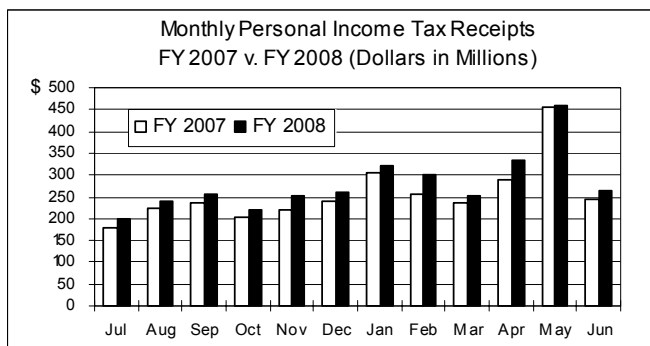
FY 2008 Compared to FY 2007

Total gross cash receipts increased \$580.0 million (9.4%) compared to FY 2007. Major revenue sources contributing to the change include:

- Personal Income Tax (positive \$273.8 million, 8.9%)
- Sales/Use Tax (positive \$90.2 million, 4.7%)
- Corporate Tax (positive \$59.2 million, 13.9%)
- Other taxes (positive \$130.0 million, 35.7%)
- Other receipts (positive \$27.1 million, 7.7%)

Personal Income Tax revenues received in June totaled \$264.6 million, an increase of \$22.2 million (9.2%) compared to June 2007.

The FY 2008 REC Income Tax estimate of \$3.344 billion represents a projected increase of 8.4% compared to actual FY 2007. For the cash year, total Income Tax receipts increased 8.9%. By subcategory, withholding payments increased \$156.4 million (6.7%), estimate payments increased \$52.8 million (13.5%), and payments with returns increased \$64.6 million (18.2%). The following chart compares FY 2008 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2007.



Sales/Use Tax receipts received in June totaled \$154.5 million, a change of \$12.9 million (9.1%) compared to June 2007.

The REC estimate for FY 2008 Sales/Use Tax receipts was \$2.000 billion, an increase of 4.7% compared to actual FY 2007. For the cash year, FY 2008 Sales/Use Tax receipts increased 4.7%. The preceding chart compares FY 2008 monthly Sales/Use Tax receipts with FY 2007.

Corporate Tax receipts received in June totaled \$64.0 million, a change of \$16.2 million (33.9%) compared to June 2007.

The REC estimate for FY 2008 Corporate Tax revenue was \$468.1 million, an increase of 10.2% compared to actual FY 2007. For the cash year, FY 2008 Corporate Tax receipts increased 13.9%.

Other tax receipts received in June totaled \$66.5 million, a \$2.5 million (3.9%) increase compared to June 2007. Inheritance and Franchise Tax receipts increased while Cigarette Tax receipts decreased. The REC estimate for other tax receipts is \$490.5 million, an increase of 34.8% compared to actual FY 2007. For the cash year, FY 2008 other tax receipts increased 35.7%.

Other receipts (non-tax receipts) received in June totaled \$27.3 million, a change of \$3.0 million (12.3%) compared to June 2007. Fee and Judicial revenue increased for the month.

The REC estimate for FY 2008 other receipt revenue was \$376.4 million, an increase of 6.4% compared to actual FY 2007. For the cash year, other receipts increased 7.7%.

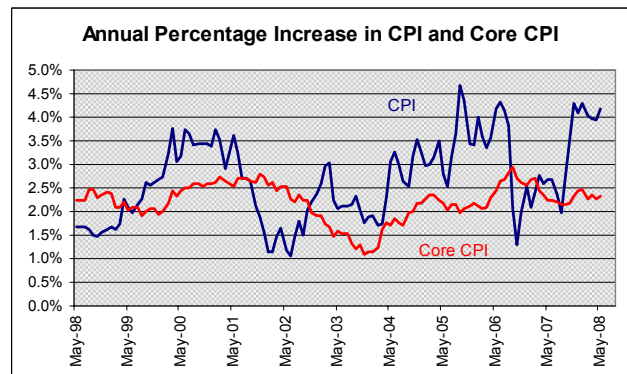
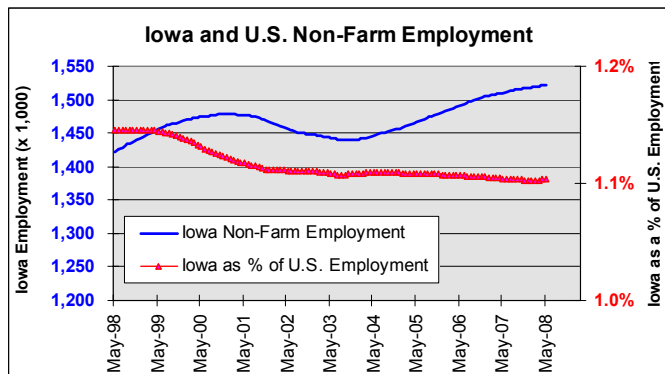
Tax Refunds issued in June totaled \$38.5 million, a \$6.5 million (20.4%) increase compared to June 2007. The REC estimate for total FY 2008 refunds was \$669.0 million. Treating the REC estimate as a cash year estimate for discussion purposes, cash year 2008 refunds totaled \$658.9 million, \$10.1 million below the REC estimate.

Status of the Economy

Iowa non-farm employment was reported at 1,543,000 for the month of May (not seasonally adjusted), 9,800 higher (0.6%) than May 2007.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current 12-month average reading is now 1,521,600 so annualized Iowa non-farm employment is 42,900 above its 2001 peak and 81,700 above the 2003 low. Calculated as a 12-month average, Iowa's year-over-year percent growth in non-farm employment currently ranks 28th among 53 states and territories. Over the past 10 years, Iowa non-farm job growth ranks 40th.

The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since early 2002 but the trend remains slightly negative.



Consumer prices increased 0.8% during May (not seasonally adjusted). The Consumer Price Index (CPI-U) through May 2008 was 216.6 (1983/84=100). The May year-over-year change of 4.2% makes the statistic above 4.0% for six of the past seven months. The overall inflation rate has generally increased since mid-2004, when the price of oil and other commodities started to rise significantly.

Core CPI, an inflation measure excluding food and energy prices, increased slightly in May and stands at 2.3% in the year-over-year comparison. The core inflation rate declined considerably from the early 1990's through March 2004 but has not been below 2.0% since August 2004. For the two components excluded from the core rate, energy prices are up 17.4% and food prices are up 5.0% year-over-year, its highest rate since 1990.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2007 vs. FY 2008 July 1 through June 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 07 Actual Compared to FY 08 REC Estimate		
	FY 2007	FY 2008	Year to Date % Change	June % Change	Actual FY 2007	Estimate FY 2008	Projected % Change
Personal Income Tax	\$ 3,085.9	\$ 3,359.7	8.9%	9.2%	\$ 3,085.9	\$ 3,343.8	8.4%
Sales/Use Tax	1,910.0	2,000.2	4.7%	9.1%	1,910.1	1,999.6	4.7%
Corporate Income Tax	424.6	483.8	13.9%	33.9%	424.6	468.1	10.2%
Inheritance Tax	76.0	78.4	3.2%	48.3%	76.0	76.0	0.0%
Insurance Premium Tax	105.2	111.7	6.2%	0.7%	105.2	115.1	9.4%
Cigarette Tax	122.0	229.5	88.1%	-9.2%	122.0	228.0	86.9%
Tobacco Tax	12.1	21.2	75.2%	21.4%	12.1	20.1	66.1%
Beer Tax	14.3	14.5	1.4%	-6.7%	14.3	14.5	1.4%
Franchise Tax	33.3	37.6	12.9%	32.6%	33.3	35.8	7.5%
Miscellaneous Tax	1.0	1.0	0.0%	0.0%	1.0	1.0	0.0%
 Total Special Taxes	 \$ 5,784.5	 \$ 6,337.5	 9.6%	 10.8%	 \$ 5,784.5	 \$ 6,302.0	 8.9%
 Institutional Payments	 12.9	 14.9	 15.5%	 25.0%	 12.9	 12.8	 -0.8%
Liquor Profits	64.8	72.4	11.7%	2.7%	64.8	70.5	8.8%
Interest	28.7	25.3	-11.8%	-33.3%	28.7	27.0	-5.9%
Fees	84.7	82.1	-3.1%	33.3%	84.7	78.8	-7.0%
Judicial Revenue	66.9	90.0	34.5%	24.3%	66.9	89.5	33.8%
Miscellaneous Receipts	35.7	36.1	1.1%	-22.6%	35.7	37.8	5.9%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 6,138.3	 \$ 6,718.3	 9.4%	 10.9%	 \$ 6,138.2	 \$ 6,678.4	 8.8%